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TAGS: FAIR ELTN ECPS ETRD OVIP CH
SUBJECT: DOT SECRETARY PETER'S APRIL 11-12 VISIT TO SHANGHAI

REF: A) 4/12 TARNOWKA-STEINBERG EMAIL

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¶1. (U) Summary. During her April 11-12 visit to Shanghai, Transportation Secretary Mary Peters attended a signing ceremony for the creation of the United Parcel Service (UPS) International Air Hub at the Shanghai Pudong International Airport (PVG) (to be reported septel); expressed concerns of U.S. express delivery companies about new daytime trucking regulations in a meeting with local hosts from the Bureau of Communications and Construction; discussed transportation sector industry concerns at an AmCham-U.S. China Business Council roundtable; held press interviews with Western and Chinese business press; visited the UPS hub site and participated in a photo op featuring Oshkosh firefighting trucks used at PVG; and rode Shanghai's Maglev train. Shanghai transportation officials assured the Secretary that they would take concerns of international express delivery companies into account in drafting the new regulations. Roundtable participants engaged the Secretary on how the Strategic Economic Dialogue (SED) could be used to promote liberalization of China's transportation sector and create a better regulatory environment, and expressed concerns both about inadequate port capacity in Los Angeles/Long Beach, as well as at China's commodity ports. The Wall Street Journal published an April 13 article about the Secretary's China trip priorities and there was considerable local press coverage of the UPS signing. End summary.

AMCHAM-USCBC Business Roundtable

¶2. (SBU) At a lunch co-hosted by the American Chamber of Commerce in Shanghai (AmCham) and the United States-China Business Council (USCBC), the Secretary met with Shanghai-based representatives of U.S. companies involved in the shipping; logistics, express delivery, rail, auto, truck and motorcycle

sector in China, as well as two major users of U.S.-China cargo services, Cargill and Tysons. The Secretary explained that, under the SED process, she would urge greater liberalization of China's transportation sector, particularly movement towards "open skies," to support the growing bilateral trade relationship. She agreed that some of the cross-cutting regulatory issues raised by the companies also could be good topics for the SED forum, and, in response to their concerns, said DOT was working with California and other U.S. port authorities to improve U.S. port capacity and efficiency. A more detailed summary of company concerns was provided in Ref A.

The major themes discussed are summarized below:

- Increased Liberalization of Transportation Sector: All U.S. companies in China relied on Chinese transportation networks, and advocated increased liberalization of China's air passenger/cargo networks and road/rail networks. This would support China's continued trade and economic development, facilitate travel to China for the 2008 Beijing Olympics and World Expo, and benefit the U.S. travel and hospitality industry as well as U.S. businesses operating in China.
- Regulatory Environment: China's regulatory environment was characterized by a lack of transparency, inconsistent enforcement, and general unpredictability. One area for improvement cited by several attendees was a desire to either persuade China to accept international standards or to simplify the approval process for its China Compulsory Certification (CCC) mark.
- Port Infrastructure: In China, port capacity to handle container shipping had grown rapidly, but development of port capacity to handle China's massive imports of commodities had not kept pace. Several U.S. company representatives expressed concern that U.S. ports, particularly LA/Long Beach, did not

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have the capacity to efficiently handle the increased volume of trade from China. An additional concern was uncertainty about the status of the LA/Long Beach labor contracts that were due to expire in 2008, and a desire to avoid the slowdowns and work stoppages that occurred in 2002.

¶3. (SBU) In addition to the main themes, Ford China VP Keith Davey said that the U.S. automotive industry in China had four major concerns: (1) Protecting intellectual property rights (IPR); (2) Promoting Chinese government interest and awareness in energy sustainability and alternative/renewable fuels; (3) Advocating road and vehicle safety; and (4) Dealing with increased nationalism in China that made access more difficult for foreign companies.

¶4. (SBU) FedEx China Region Senior VP Eddy Chan suggested that DOT pursue a U.S.-China land transportation forum for government-industry discussions modeled along the lines of the highly successful Aviation Cooperation Program (ACP).

¶5. (SBU) Tyson Foods VP James Rice, as an AmCham Board member, discussed a recent AmCham survey about U.S.-aviation companies in Shanghai's concerns. U.S. aviation-related companies in Shanghai sought: (1) more passenger flights between China and the U.S. to support business travel; (2) increased access to landing slots; (3) greater fairness and transparency in landing fees; and (4) fair pricing for jet fuel.

Meeting with Bureau of Construction and Communications

¶6. (SBU) During her April 11 meeting with Shanghai Bureau of Construction and Communications (BOCC) Deputy Director Shen Xiaoshu, Ministry of Communications (MOC) Department Head Ren Weiming, from Beijing, Shanghai Port Administration Deputy Director General Zhu Jianhua and BOCC Department Head Shi Zhengwei, the Secretary noted that her trip on the Maglev provided an excellent introduction to Shanghai's modern

transportation system. She said she had come to China to meet with senior Chinese officials to discuss areas of mutually beneficial cooperation in advance of the May SED. Shanghai's ports and "tremendous cargo handling capacity" represented an important contribution to the bilateral trade relationship. U.S. terminal operators had shown great interest in and were being encouraged to participate in the construction and operation of Phase-3 of the port's development.

¶ 17. (SBU) Deputy Director Shen said that Shanghai had embraced its role as an international shipping hub and transportation routes to the United States represented an important proportion of Shanghai's total trade. There were more than 180 flights from Shanghai to the United States every month. A record was set in October 2006, with 191 trips. Shanghai was busy preparing its infrastructure for the estimated 70-80 million visitors it expected would attend the 2010 World Expo. This would mean more than 400,000 additional people per day traveling in the downtown area. To meet these needs, Shanghai would expand its 145 kilometer (95 mile) subway and light rail system to 400 kilometers by 2010. Shanghai planned to open 100 new subway stations and 100 kilometers (60 miles) of new track in 2007.

¶ 18. (SBU) Secretary Peters said she understood concerns about congestion, but requested that the concerns of international express delivery companies be taken into account in the drafting of new Shanghai regulations on daytime access to downtown areas by trucks and cargo vans to ensure that Shanghai-based businesses received the express delivery services they needed. Deputy Director Shen assured the Secretary that Shanghai recognized that as an international logistics, shipping and financial center, it needed to be cognizant of the needs of international express delivery companies and the Shanghai government would "strongly support" such companies. He said

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that BOCC Department Head Shi was the individual in charge of this planning. Following the meeting, Shi told Pol/Econ Chief that his office had been in touch with the international express delivery companies already and would continue to consult with them as the draft regulations moved forward.

Press

¶ 19. (SBU) Among Secretary Peters' activities in Shanghai were two PAS-arranged media events, one with the Wall Street Journal and one a roundtable with representatives of four of China's most prominent business publications. In the two interviews, Secretary Peters set the stage for her subsequent meetings with

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her Chinese government counterparts in Beijing by laying out the arguments for complete liberalization of aviation between the U.S. and China, saying that "the market, not governments, should decide who flies where and what the prices are." The Wall Street Journal carried an article on the interview with Secretary Peters in its April 13 edition. The April 16 issue of

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China Business News (Government-owned business daily, circ 400,000) published a half-page article entitled, "Expect Chinese Direct Flights to Anywhere in the U.S.," which focused on Secretary Peters' efforts to expand the scope of the 2004 Air

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Services Agreement between the U.S. and China, the benefits of such liberalization, and U.S.-China cooperation in other transportation sectors, including vehicular safety. The Secretary's participation in the UPS hub announcement garnered

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photographic coverage in the China Daily (English language, circ. 60,000), International Finance News (circ. 20,000) and the Shanghai Daily (English language, circ. 50,000). Both the

Shanghai Daily and the International Herald Tribune carried articles on the UPS hub.

¶10. (U) The DOT delegation cleared on this cable.
JARRETT